

## **AUDIT COMMITTEE CHARTER**

### **Adopted by the Board of Directors of Network Equipment Technologies, Inc.**

#### ***Purpose***

The purpose of the Audit Committee (the “Committee”) of the board of directors (the “Board”) of Network Equipment Technologies, Inc. (“net.com” or the “Company”) is to:

- assist the oversight by the Board of the integrity of the the Company’s financial statements, the Company’s compliance with legal and regulatory requirements, the independent auditor’s qualifications and independence, and the performance of the Company’s internal audit function and independent auditors; and
- prepare the report of the Committee to be included in the Company’s annual proxy statement.

The Committee is not responsible, however, for planning or conducting audits, or determining whether the Company's financial statements are complete and accurate or in accordance with generally accepted accounting principles.

#### ***Composition***

The Committee shall be composed of three or more directors as determined by the Board, each of whom shall be “independent,” as that term is defined in Section 10A(m) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Rules and Regulations (the “Regulations”) of the Securities and Exchange Commission (the “Commission”) under the Exchange Act, and shall meet the independence and financial literacy requirements of the New York Stock Exchange. At least one member of the Committee shall (i) have accounting or related financial management expertise as the Board interprets such qualification in its business judgement, and (ii) qualify as an “audit committee financial expert,” as that term is defined in the Regulations, unless no director currently meets this second qualification, in which case the Nominating/Corporate Governance Committee of the Board shall be requested to identify and recommend for election or appointment a nominee for director who meets the qualification. Committee members shall not simultaneously serve on the audit committees of more than two other public companies, unless the board determines that simultaneous service on additional public company audit committees would not impair the ability of such member to effectively serve on the Company’s audit committee. The Company will disclose any such determination in the company’s annual proxy statement filed with the Commission.

## ***Responsibilities***

The Committee is charged by the Board with the following responsibilities:

### ***I. Oversight of Independent Auditors.***

1. Appoint and oversee the work of an independent auditor:

- appoint and provide for the compensation of a “registered public accounting firm” (as that term is defined in Section 2(a) of the Sarbanes-Oxley Act of 2002) to serve as the Company’s independent auditor,
- oversee the work of the independent auditor (including resolution of any disagreements between management and the independent auditor regarding financial reporting),
- evaluate the qualifications and performance of the independent auditor, and,
- if so determined by the Committee, replace the independent auditor;

with the understanding that the independent auditor is ultimately accountable to the Board and the Committee, as representatives of the stockholders.

2. Evaluate reports from the independent auditor:

- obtain and review, at least annually, a report by the independent auditor describing
  - (a) the independent auditor’s internal quality-control procedures,
  - (b) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years, respecting one or more independent audits carried out by the independent auditor,
  - (c) any steps taken to deal with any such issues, and
  - (d) all relationships between the independent auditor and the Company;
- ensure the receipt of, and evaluate the written disclosures and the letter that the independent auditor submits to the Committee regarding the auditor’s independence in accordance with Independence Standards Board Standard Number 1;
- discuss such reports with the independent auditor;
- satisfy itself as to the independence of the independent auditor; and
- if so determined by the Committee in response to such reports, take appropriate action to address issues raised by such evaluation.

3. Discuss with the independent auditor the matters required to be discussed by SAS 61, as it may be modified or supplemented.
4. Instruct the independent auditor and the internal auditor to advise the Committee if there are any subjects that require special attention.
5. Set hiring policies for employees or former employees of the independent auditor.
6. Approve, in accordance with Sections 10A(h) and (i) of the Exchange Act and the Regulations, all professional services, to be provided to the Company by its independent auditor, provided that the Committee shall not approve any non-audit services proscribed by Section 10A(g) of the Exchange Act in the absence of an applicable exemption. The Committee may adopt policies and procedures for the approval of such services which may include delegation of authority to a designated member or members of the Committee to approve such services so long as any such approvals are disclosed to the full Committee at its next scheduled meeting.

## *II. Integrity of Financial Statements*

7. Instruct the independent auditor to report to the Committee on all critical accounting policies of the Company, all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the auditors, and other material written communication between the auditors and management.
8. Meet with management and the independent auditor to:
  - discuss the annual financial statements, including disclosures made in management's discussion and analysis, and the report of the independent auditor thereon, and
  - discuss significant issues encountered in the course of the audit work, including:
    - any restrictions on the scope of the independent auditor's activities or on access to requested information and any significant disagreements with management;
    - the adequacy of internal financial controls;
    - the adequacy of the disclosure of off-balance sheet transactions, arrangements, obligations and relationships in reports filed with the Commission;
    - the types of information to be disclosed and the type of presentation to be made in earnings releases, as well as financial information and earnings guidance; and

- the appropriateness of the presentation of any non-GAAP financial measures (as defined in the Regulations) included in any report filed with the Commission or in any public disclosure or release.

9. Review the management letter delivered by the independent auditor in connection with the audit.

10. Following such review and discussions, if so determined by the Committee, recommend to the Board that the annual financial statements be included in the Company's annual report.

11. Meet quarterly with management and the independent auditor to discuss the quarterly financial statements, including disclosures made in management's discussion and analysis, prior to the filing of the Form 10-Q.

12. Meet periodically (and no less frequently than once each year) in separate executive sessions with management, the internal auditor, and the independent auditor to discuss matters that any of them or the Committee believes could significantly affect the financial statements and should be discussed privately.

13. Discuss guidelines and policies with respect to risk assessment and risk management; discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

14. Review significant changes to the Company's accounting policies and practices proposed by the independent auditor, the internal auditor, or management.

### *III. Oversight of Internal Auditor.*

15. Discuss with the independent auditor and management the internal audit department responsibilities, budget and staffing, and review the scope and results of internal audits.

16. Evaluate the performance of the internal auditor and, if so determined by the Committee, recommend replacement of the internal auditor.

### *IV. Code of Conduct, Inquiries, and Reports.*

17. Conduct or authorize such inquiries into matters within the Committee's scope of responsibility as the Committee deems appropriate.

18. Provide reports to the Board of Directors:

- provide minutes of Committee meetings to the Board,

- present to the Board the Committee’s conclusions with respect to the qualifications, performance and independence of the independent auditor, and
- review with the Board any issues that arise with respect to the quality or integrity of the Company’s financial statements, its compliance with legal or regulatory requirements, the performance of the independent auditor or the performance of the internal audit function.

19. Prepare the Committee report required by the Regulations to be included in the Company’s annual proxy statement.

20. Cause to be prepared and recommend to the Board the adoption of a code of business conduct and ethics for directors, officers and employees, and from time to time review and assess the code and recommend changes for approval by the Board.

21. Establish a procedure for receipt, retention and treatment of any complaints received by the Company about its accounting, internal accounting controls or auditing matters and for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

*V. Self-Assessment; Review of Charter.*

22. At least annually, evaluate the performance of the Committee, review and reassess this Charter and, if appropriate, recommend changes to the Board.

***Authority***

By adopting this Charter, the Board delegates to the Committee full authority in its discretion to:

1. Perform each of the responsibilities of the Committee described above.
2. Appoint a chair of the Committee, unless a chair is designated by the Board.
3. Engage independent counsel and other advisers as the Committee determines necessary to carry out its responsibilities.
4. Cause the officers of the corporation to provide such funding as the Committee shall determine to be appropriate for payment of compensation to the Company’s independent auditor and any legal counsel or other advisers engaged by the Committee, and payment of ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties.